# One for All
# An Action Plan for Financing Global Vaccination and Sustainable Growth

The ROCKEFELLER FOUNDATION

# Foreword

There are moments in history that call for bold and unconventional steps. We are at such a moment right now.

To date, COVID has killed millions and undermined life for billions. An insufficient and inequitable response to the pandemic risks dividing the world in two. Advanced economies, with fiscal and monetary stimulus and early access to vaccines, can hope to move beyond the worst of the pandemic later this year. Meanwhile, developing economies, with less fiscal space and access to vaccines and future treatments, may be mired in the pandemic for years.

Fortunately, the world has the means and the mechanisms to end this pandemic and assure a broad, equitable, and sustainable global recovery. It is imperative we come together now to take those steps to put Covid-19 behind us and protect the most vulnerable and the planet itself. Not doing so endangers us all. Current vaccination plans and the funding behind them are simply not enough to protect us all and instead, makes it more likely that unchecked, even more dangerous variants will emerge that know no borders.

With this action plan we focus on the most pressing need – a financing strategy to stop the pandemic by the end of 2022 by vaccinating up to 70 percent of developing countries' populations. In this paper, we lay out the details for leveraging a large issuance and reallocation of International Monetary Fund (IMF) Special Drawing Rights (SDRs) to make this happen.

It is not enough to fully vaccinate the richest parts of the world. Vaccine nationalism is short sighted and will ultimately leave everyone worse off. After all, vaccine-resistant variants that mutate in one under-vaccinated country can quickly spread to one that's been immunized. Ending the pandemic for all is required for a global recovery.

But we cannot stop there. Covid-19 has delivered a once-in-a-century shock to global health, global economic well-being, and global development. Along with the millions killed by the virus, we are seeing hundreds of millions being driven into poverty and further reversals in the fights against hunger, bad health, gender equality, and more.

Therefore we are calling for something still larger and no less essential for our shared well-being and security – reinvigorated multilateralism that leverages the institutions we have, foremost among them the IMF, the World Bank (WB) and the multilateral development banks (MDBs), to fund a green and equitable recovery for the world.

We see this call to action as the right first step in a series of urgent steps to realize a full global recovery from the Covid-19 pandemic. In the coming months, we will follow this document with additional detailed plans on operationalizing a comprehensive vaccination plan, fully realizing the potential of multilateral development banks, and engaging the private sector, among other topics.

We are indebted to a wide array of experts and institutions in drafting this report. Their names can be found at the end of this paper. We may differ slightly on some preferred approaches, but all share the same level of commitment and urgency for a shared global response to this moment.

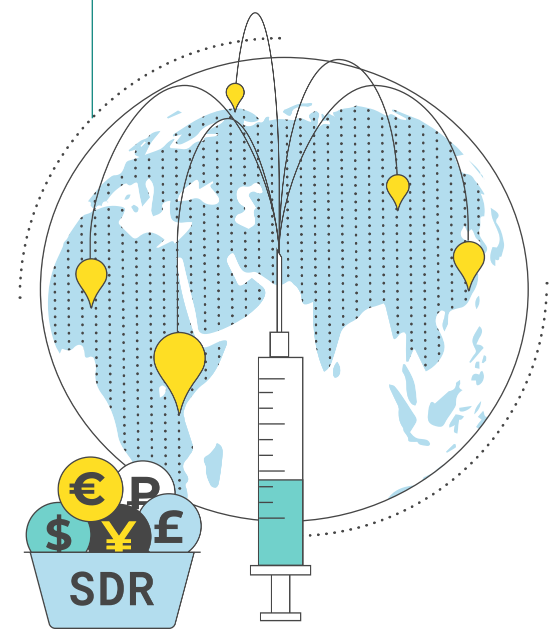
The world tumbled into the Covid-19 catastrophe together, we must emerge from it together. As we enter the second year of the pandemic, this call to action as well as the follow-on plans to come will offer a roadmap for how we can do so and realize a more sustainable and equitable future for all.

Onward,

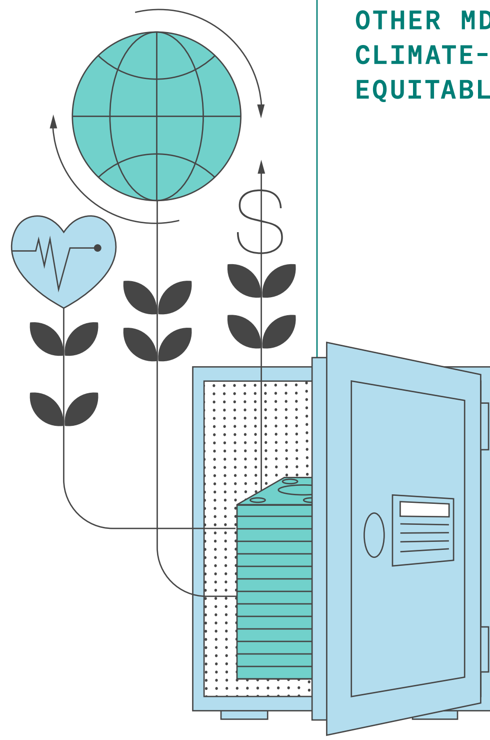
**Dr. Rajiv J. Shah,**
President of
The Rockefeller Foundation

# Overview

**1** ISSUE, REALLOCATE AND INVEST SDRs TO ENSURE EQUITABLE GLOBAL ACCESS TO VACCINES



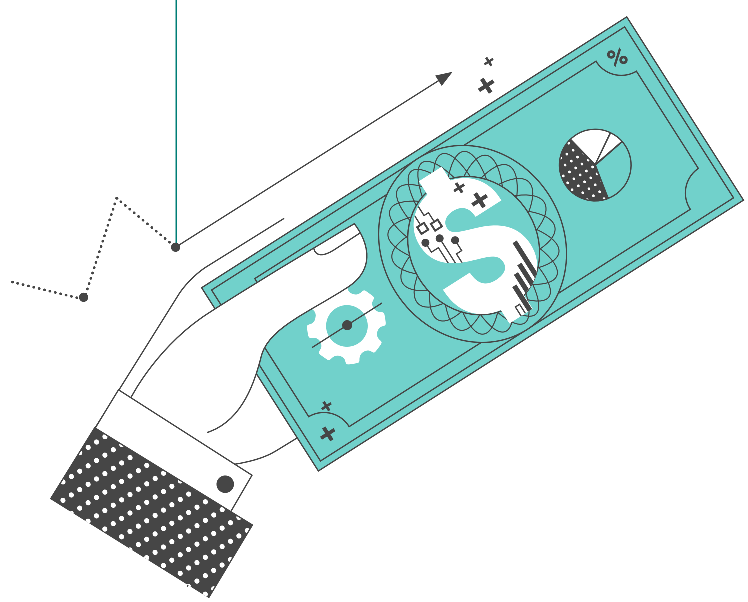

**2** UNLEASH FULL LENDING POWER OF THE WORLD BANK AND OTHER MDBs FOR A CLIMATE-FRIENDLY AND EQUITABLE RECOVERY



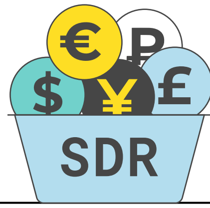
The ravages of the Covid-19 pandemic are well known. Defeating and reversing them will require an immediate burst of revitalized multilateralism and creativity operationalizing the financing tools and institutions readily at hand. We must act swiftly to achieve a global vaccination rate of up to 70 percent by the end of 2022. Delay threatens us all as new variants emerge which could cause rolling outbreaks resulting in further economic shutdowns. This proposed plan imposes relatively little cost to donor nations in the short-term, and will deliver significant economic returns in the long-term.

Just as the entire world shared the spread and pain of Covid-19, we must now share in orchestrating an end to the pandemic and a transition to a recovery that is just, equitable, sustainable and lasting. The pandemic cannot be contained, and the rebuilding fully begun, until the virus is halted in every country.

**3** LEVERAGE PRIVATE CAPITAL AT SCALE THROUGH NEW INVESTMENT VEHICLES



TO THAT END, IN THIS ACTION PLAN WE PUT FORTH THREE MUTUALLY REINFORCING GOALS LEVERAGING THE POWER OF EXISTING MULTILATERAL FINANCING ARCHITECTURE

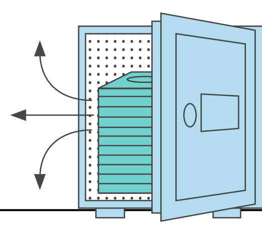



## Goal 1

### IMF SDR

Issue, reallocate and leverage SDRs to ensure equitable global access to vaccines

- Ensure that an issuance of $650 billion in Special Drawing Rights by the IMF receives final approval and is distributed as swiftly as possible
- Encourage countries with unneeded and available SDRs to reallocate no less than $100 billion of their "excess" SDRs to the developing world
- In addition to immediate relief provided by an SDR allocation, direct at least $44 billion in reallocated SDRs to the urgent need of scaling vaccine supply to vaccinate up to 70 percent of the developing world's population by the end of 2022



## Goal 2

### World Bank & Regional Development Banks

Unleash full lending power of the World Bank and other MDBs for a climate-friendly and equitable recovery

- Marshal support within G7/G20 for a comprehensive package of reforms to unleash the potential of MDBs, including a review of capital adequacy ratios, starting with the World Bank—to free up hundreds of billions of dollars to invest in a clean and equitable recovery in developing economies and emerging markets.

## Goal 3

### Innovative Finance

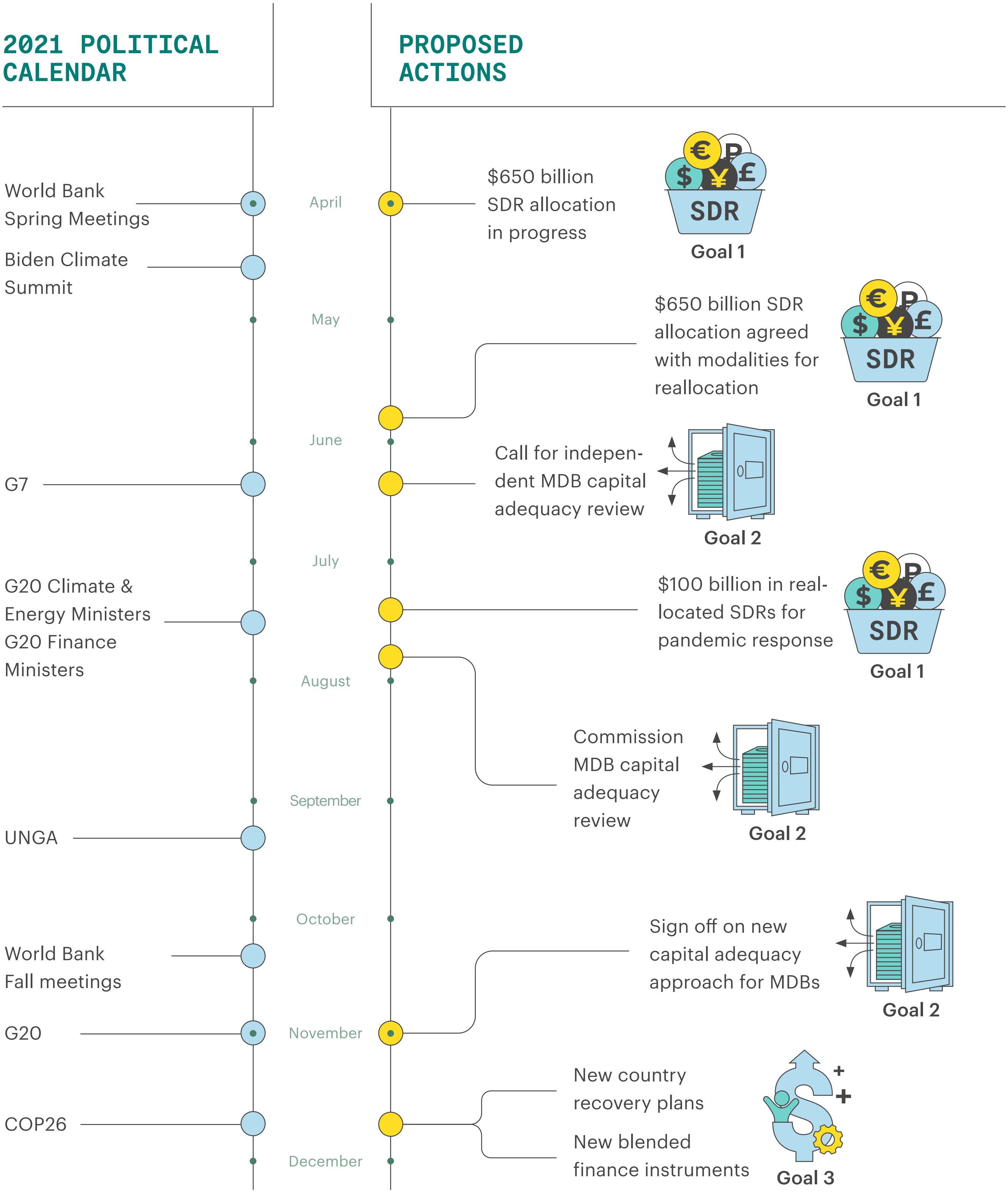
Leverage private capital at scale through new investment vehicles

- Establish and scale investment vehicles to mobilize private capital and work alongside MDBs to set in motion a broad based sustainable recovery and finance clean growth and development in emerging markets

In the first installment of this plan, we focus on the steps needed to mobilize funding to contain and suppress the virus. An early SDR issuance and reallocation mechanism targeting pandemic response will generate political momentum for achieving success ahead of such gatherings at the G20 ministerial meetings in July and the U.N. General Assembly in September. Progress will then pave the way for more efficient MDB and private sector engagement for a climate neutral and equitable recovery in time for the World Bank meetings in October, the full G20 soon after, and the U.N. Climate Change Conference of the Parties (COP26) in December.

In future installments of this plan, we will expand on the role we envisage for multilateral development banks and the private sector. We recognize that financing is one piece of the challenge of ensuring the pandemic is stopped globally, and are committed to working with public and private partners to develop a comprehensive implementation plan to complement the financing solutions proposed herein.

## A global recovery timeline



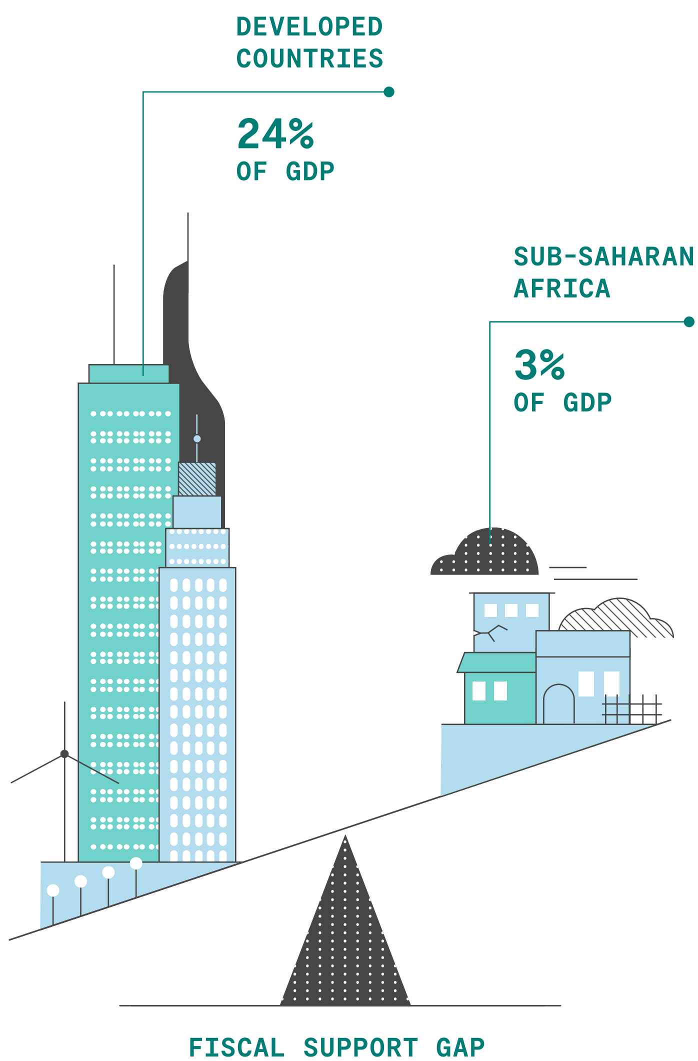
# Introduction

The pandemic has caused a devastating social and economic toll around the world. It has taken an estimated 2.6 million lives and left tens of millions jobless and many more depleted of savings. The IMF estimates that the ongoing crisis will strip an estimated $11 trillion of output by the end of this year.[1] These impacts have hit developing countries especially hard, because they lack the resources of richer countries to shield populations from the worst economic blows.

In response, the fifty largest economies announced an estimated $14.6 trillion in fiscal spending in 2020, of which $1.9 trillion was for long-term economic recovery.[2] The U.S. alone has approved $6 trillion in spending on domestic stimulus and relief. By contrast, many developing countries have inadequate social safety nets and limited fiscal space to respond to the immediate crisis, much less position themselves for future investment and growth. Sub-Saharan Africa's Covid-19-related fiscal support, for example, has amounted to 3 percent of GDP, compared to about 24% percent of GDP for developed countries.[3]

We are seeing warnings now of an imminent "great divergence," in the words of IMF Managing Director Kristalina Georgieva, as prospects for recovery diverge dangerously across countries and regions in the decade ahead.[4] On our current course, the pain of the Covid-19 downturn will linger far longer in poorer regions than they will in areas that are better off.

Reflecting that fear, the Conference of African Ministers of Finance, Planning and Economic Development in late March warned of depleted fiscal buffers and a "tidal wave of new coronavirus



infections" in the face of sluggish vaccine distribution. "This is a crisis of the collective, which requires a collective and coordinated response," the ministers said in a joint statement.[5]

This divergence in fortune has played out within countries, too, where the poor and vulnerable have been disproportionately affected. In Washington D.C.,Black Americans represent less than half the population but nearly 80 percent of the Covid-19 deaths.[6] As of mid-March, they had received fewer than a third of all vaccines.[7] Similar disparities are being seen all over the world, for example in Brazil, where afro-descendants are at 150 percent increased risk of mortality from Covid-19 compared to the population at large.[8]

To compound these issues, global investment plans announced in response to the pandemic thus far have failed to adequately integrate Paris commitments on climate action, a missed opportunity to ensure increased spending facilitates a recovery that reduces emissions rather than increasing them. The investments needed to support the transition to cleaner forms of energy can stimulate global recovery, but only 2.5 percent of total spending announced so far is expected to enhance sustainability,[9] and CO2 emissions are now rebounding aggressively as some economies recover.

This is no time for a retrenchment into unilateralism. We need a new approach, crafted in coming weeks and months and built around global sustainability, solidarity, equality and respect for the well-being of every individual. Stimulating a widespread economic recovery will create positive spillovers in terms of reduced emissions, increased trade and enhanced political stability, from which every country will benefit.

But to turn the tide, we must first defeat the pandemic, not just within our own countries but everywhere. Failure to do so will mean an increase in the development of variants that could prolong the pandemic everywhere, squandering the trillions already spent to buttress developed world economies and beat back the pandemic at home. Therefore, the most urgent financing priority is to stop the virus in its tracks everywhere.

Given their scale and reach, the Bretton Woods Institutions—the IMF and the World Bank—must be at the center of a much more robust international response to stopping the pandemic and financing a global recovery, one that will tap new reservoirs of ingenuity, collaboration and pools of private capital, and redefine the future of international assistance.

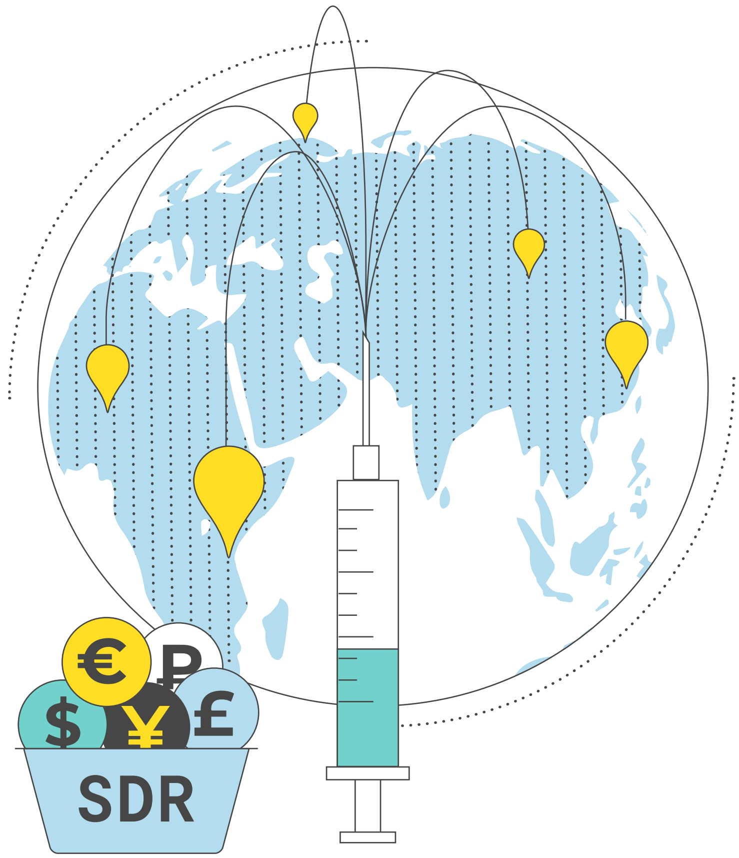
Financing from the World Bank, the IMF and regional development banks, including mobilized private capital, needs to increase by $400-500 billion per annum, against an estimated need of $2.5 trillion per annum, over the recovery period in order to facilitate a broad-based and sustainable recovery in emerging and developing countries. This can be achieved at minimal cost to national budgets and will unleash massive global benefits from which every global citizen will benefit.

In this action plan, we call out the practical steps that can be taken by global leaders in the coming months to galvanize a global recovery. In the first installment of this plan, we prioritize the steps needed to mobilize funding to contain and suppress the virus, focused on a new SDR issuance. We touch upon the role of the MDBs and private sector with regards to a global recovery, but will set out more concrete actions for these actors in future iterations of this plan.

A new SDR issuance will bring immediate relief and start to rebuild faith in multilateral cooperation, setting the stage for a clean and equitable recovery. Implementation will require much stronger coordination and commitment across the G7 and the G20 and the development of a coherent plan for how we can tap this year's calendar of major multilateral gatherings, culminating in the G20 in Rome and the COP26 in Glasgow.

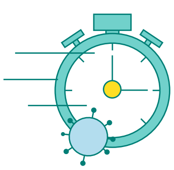
# 1

## Goal 1
# Leverage the new SDR issuance to stop the virus in its tracks



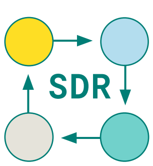

The surest, easiest and most obvious way to contain the pandemic and jump start a global recovery is through a new issuance of Special Drawing Rights by the IMF. SDRs are an international reserve asset created by the IMF in 1969, which can be exchanged for freely-usable currencies. The IMF Managing Director can propose a new allocation of SDRs, which must be supported by 85 percent of IMF members.

**The advantages of doing so are clear:**



**It can be done swiftly, while the pandemic is still raging**


**A new allocation is "cost-free" for treasuries of the world[10]**

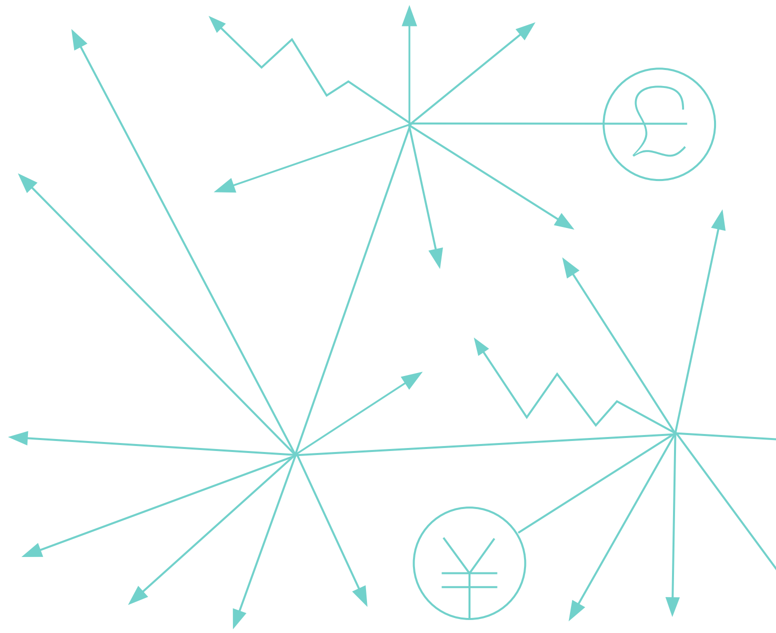



**Excess or unneeded SDRs can be reallocated to meet pressing needs**

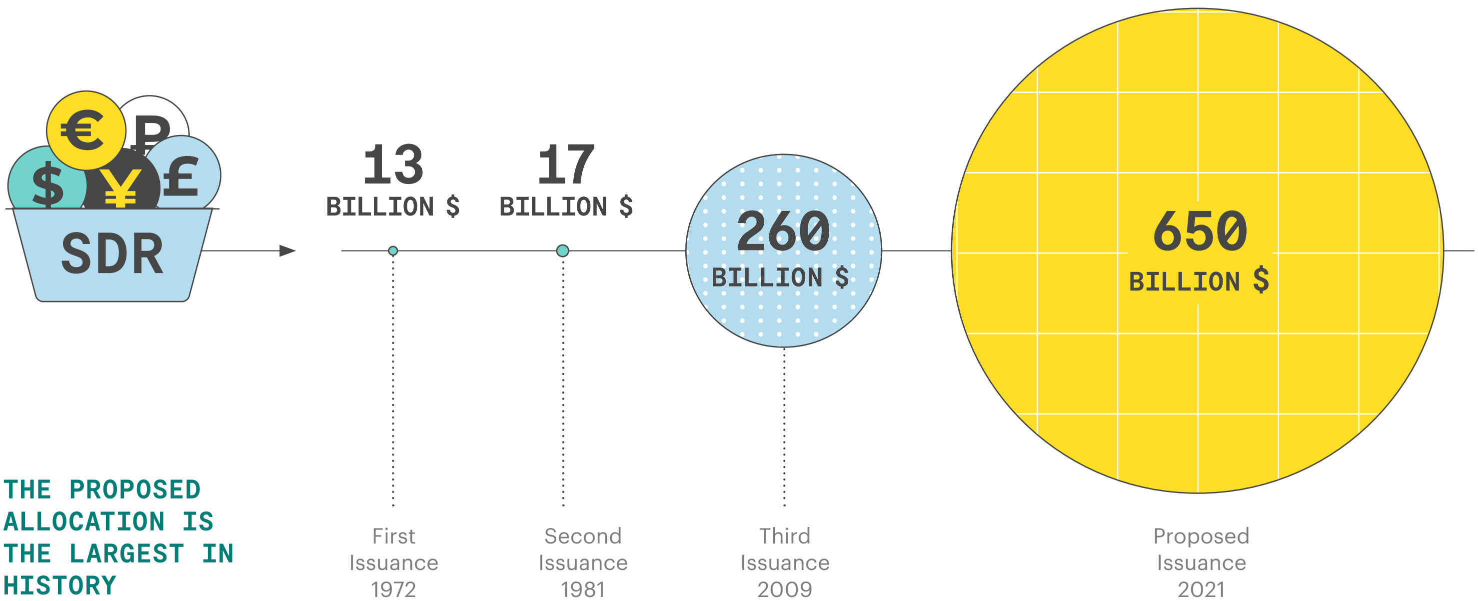
As of the publication of this plan, IMF Executive Directors have conveyed broad support to move towards a $650 billion allocation of SDRs.[11] A formal proposal will be presented to the IMF Board in June. This is a critical first step in providing countries with the fiscal space required to support spending on pandemic response in addition to strengthening their balance sheets. This move has the support of leading finance ministers, including U.S. Treasury Secretary Janet Yellen, whose support for an SDR issuance comes with a requirement for increased transparency on their deployment and utilization.[12] From there, excess SDRs must be reallocated from wealthy countries to finance pandemic response in the developing world.

## A new SDR issuance

There is precedent for issuing SDRs in a time of crisis, as the IMF responded in 2008/2009 with SDR issuances that totaled $260 billion to assist the global economy. The tepid recovery from the last financial crisis and the dramatic reduction in economic activity driven by recent Covid-19 lockdowns, coupled with debt issues in many countries, demands that the IMF go bigger this time.



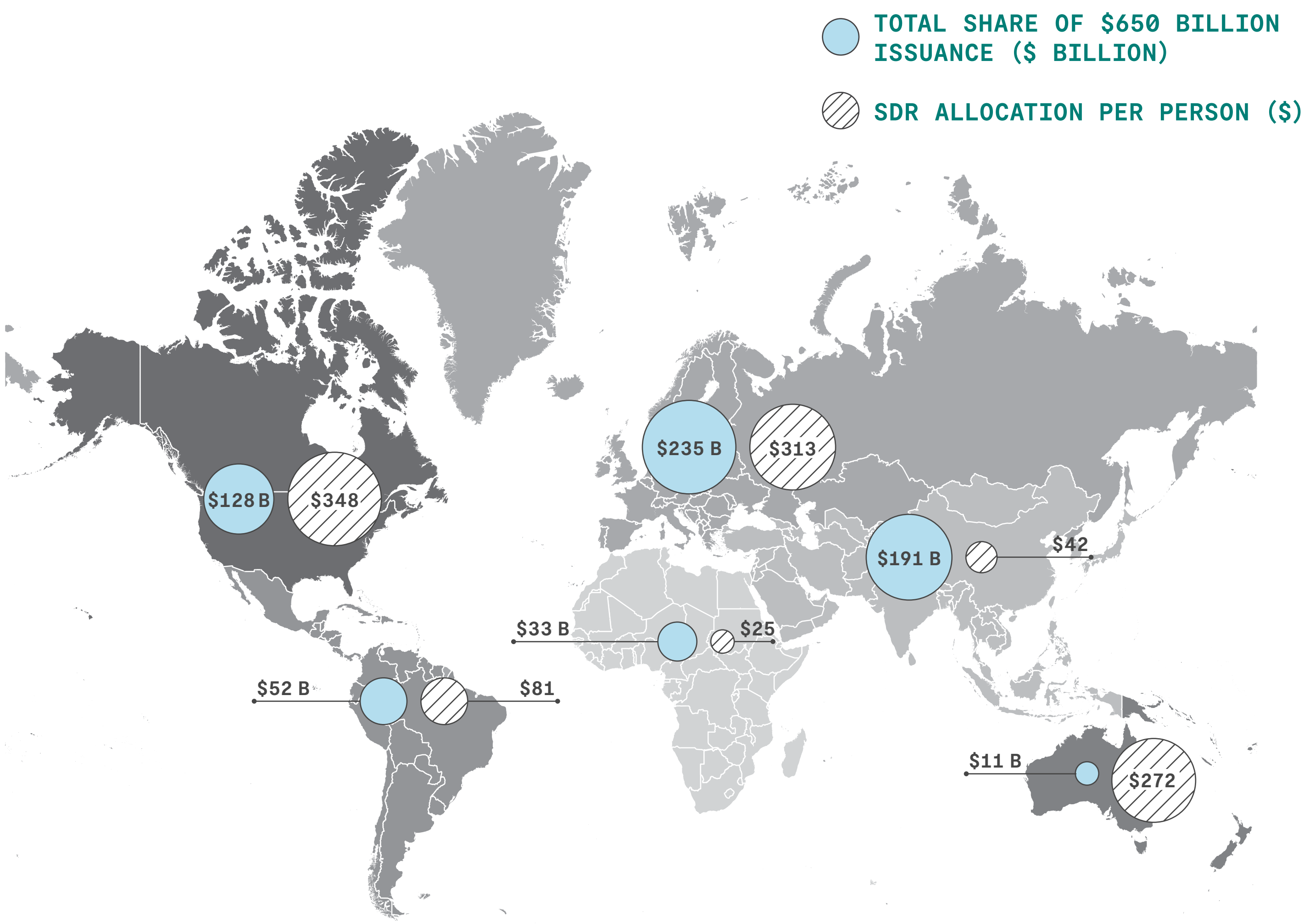
## A Brief History of IMF SDRs




A substantial IMF issuance will address multiple goals simultaneously. It will provide an immediate injection of balance sheet liquidity for the poorest countries, who have had limited to no ability to provide domestic fiscal support during the worst of the pandemic. An allocation of $650 billion worth of SDRs would automatically yield almost $23 billion for the Sub-Saharan Africa region. That would immediately bolster their reserves, improve their overall credit worthiness and free up additional funding for critically needed domestic spending.

Notwithstanding the considerable benefits that will accrue from a new SDR issuance, under the current system, general allocations of SDRs must be distributed in proportion to IMF members' quotas, not on the basis of need. For this reason, the wealthiest countries will receive around 67 percent of any new SDRs.[13] The UK alone, to take one example, would receive significantly more than the whole of the Sub-Saharan Africa region. So-called "excess" SDRs will sit on the balance sheets of wealthier countries and will do nothing for pandemic response or to spur a global recovery.

## SDR allocation by region




## The cost of letting the virus spread

It makes no sense for these SDR allocations to sit on the balance sheets of wealthier countries while the pandemic continues to rage, and global organizations struggle to find proper funding for a global vaccine rollout. Every country and its citizens will continue to be threatened by Covid-19 until all countries achieve a high level of vaccination. If the virus is allowed to spread in some countries with low vaccination rates, it is likelier to mutate and generate variants, thus bypassing the inoculation in highly-vaccinated countries. Current estimates say the world is 4 to 6 times more likely to get a new variant from under-vaccinated non-OECD countries as we are from fully protected OECD countries.

The world can quite literally not afford to ignore the question of vaccine access in developing nations. The costs of a such a global relapse would be enormous. A recent study from the National Bureau of Economic Research shows that the economic cost of not stamping out the virus globally will not be exclusive to only poor countries. “Up to 49 percent of the economic costs of the pandemic in 2021 will be borne by the advanced economies even if they achieve universal vaccination in their own countries” the report said.[14] This is corroborated by research from RAND Corporation, which found that the U.S. could ultimately save $4.8 for each dollar it invests in global Covid-19 vaccine supply.[15]

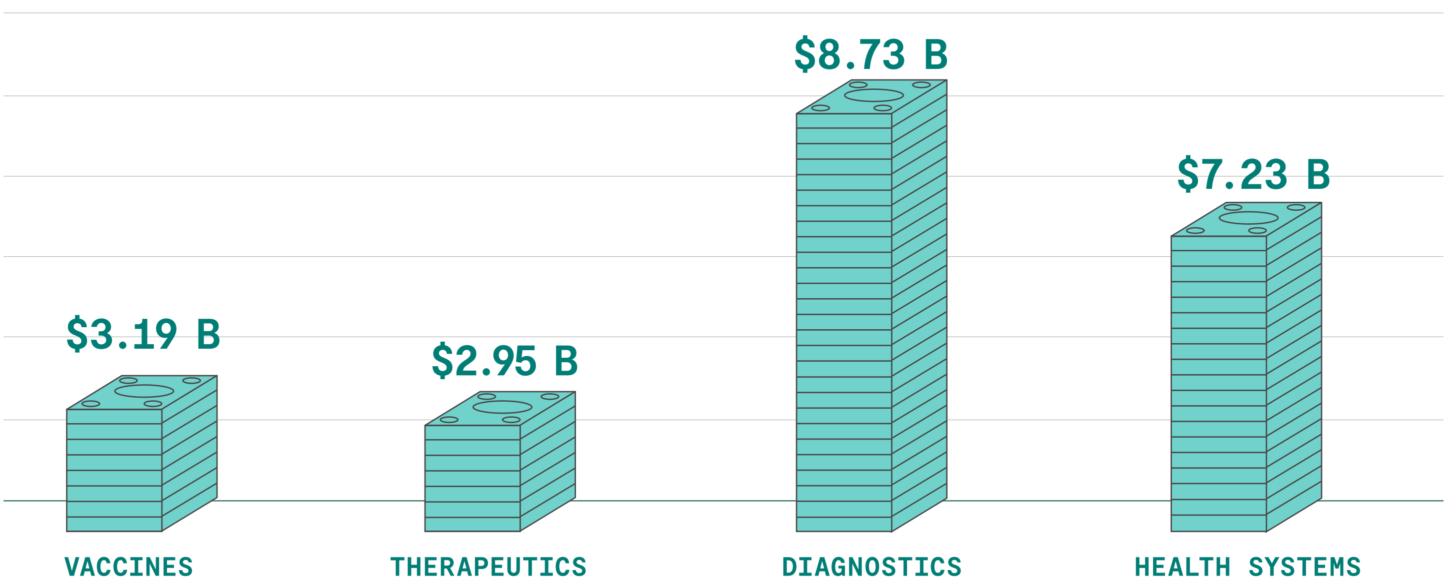
## Bridging the Pandemic Funding Gap

The world is making strides toward a widespread global vaccination program, but much work remains to be done to assure we hit the vaccination rates necessary to protect lives and buttress our wider recovery efforts. To start, a comprehensive, country-specific plan to end the pandemic by the end of 2022 must be developed. This needs to take into account the work of the Access to Covid-19 Tools Accelerator (ACT-A) in addition to encompassing ongoing efforts by the African Union and others to procure doses bilaterally.[16] Countries need additional funding to vaccinate populations, which involves costs related to additional community health workers, training, data collection, and the setting up of vaccination sites able to reach widespread populations.

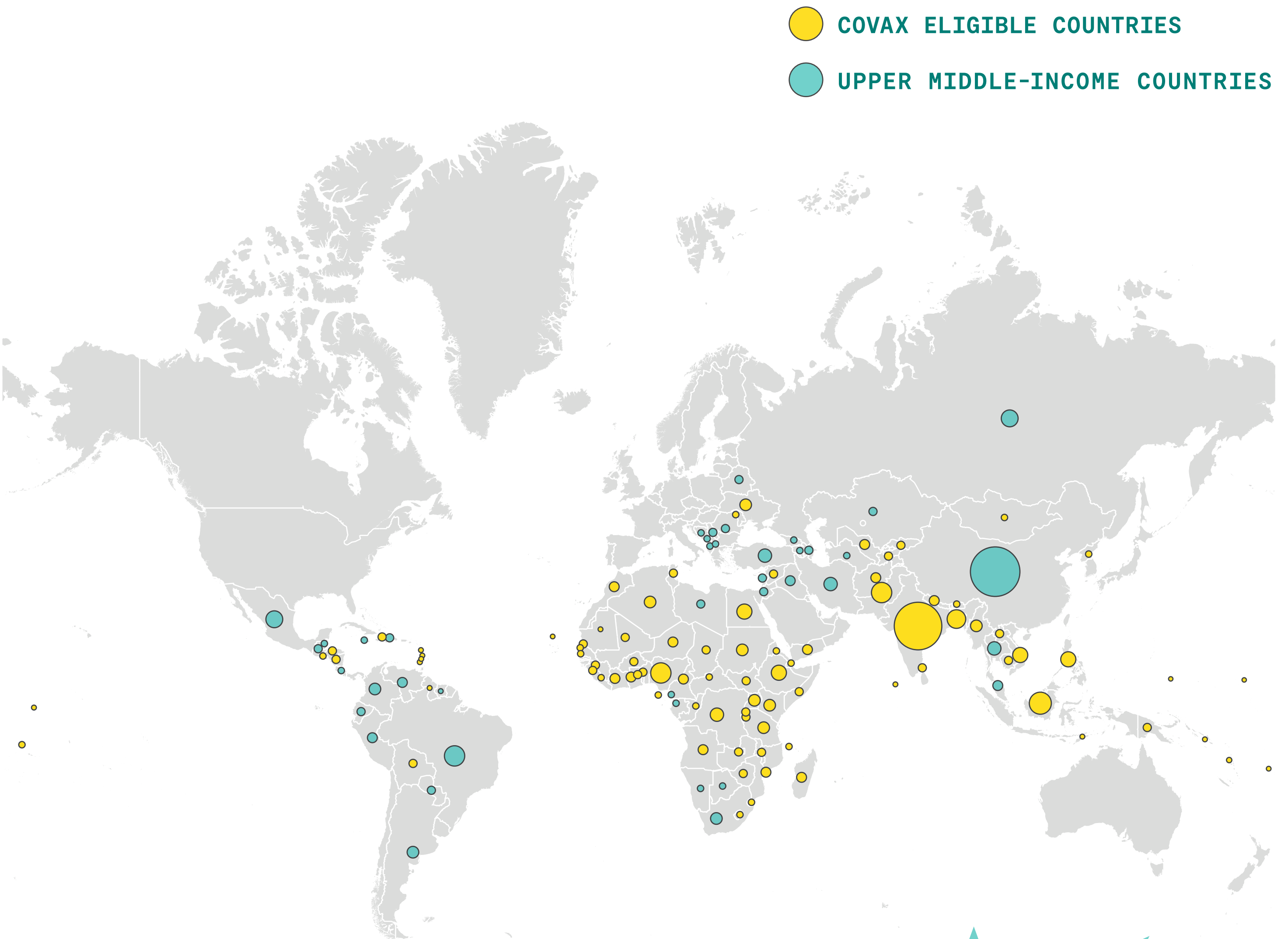
Current plans under ACT-Accelerator and COVAX call for distributing more than two billion vaccine doses by the end of 2021 to achieve a vaccination rate of just 20 percent, far below what the world needs to reach herd immunity. This goal of 20 percent vaccination, including all four pillars of the ACT-Accelerator initiative referenced below, is expected to cost around $34 billion, of which donor nations, philanthropies and multilateral institutions have so far put forward just $12 billion, leaving a shortfall of $22.1 billion. MDBs have also offered their own vaccination allocations, including $12 billion from the World Bank.

The world needs to aim higher, with a goal of up to 70 percent vaccination in low- and middle-income countries by the end of 2022. The price of achieving 70 percent vaccination among lower- and middle-income countries is in the region of $44 billion, considering vaccine cost and distribution.

### ACT-A funding gap per pillar



## Share of $44 billion cost of vaccinations in COVAX eligible and upper middle-income countries




The cost for COVAX eligible countries is $28 billion, with the remainder required to end the pandemic in middle income countries.

Considering the vast sums spent so far on domestic stimulus and pandemic suppression in developed countries—$1.9 trillion in the most recent U.S. stimulus package alone—the sum needed for more comprehensive immunization is minimal, especially when weighed against the cost of another infection surge. Still, this $44 billion is unlikely to come from additional commitments from donors, paving the way for a creative use of SDRs.

## The Solution: Bridging the funding gap with SDRs

The solution is for wealthier countries to commit to voluntarily reallocating[17] no less than $100 billion of their unneeded SDRs to provide further support to the developing world, starting with immediate pandemic response.

There are several plausible scenarios compatible with reaching the $100 billion target depending on the countries that contribute and the portion of their allocation they are willing to recycle. $100 billion is an achievable target, but one that could also by surpassed with the support of the developed world.

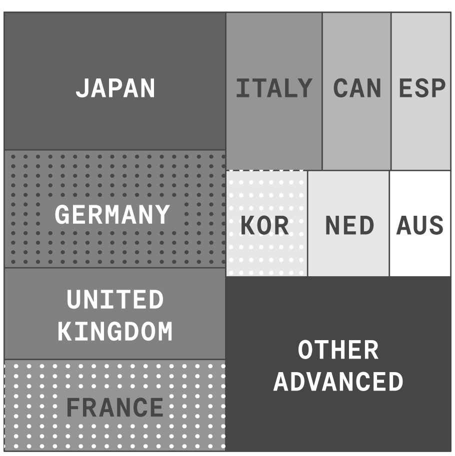
## Reallocation scenarios: Getting to $100 billion

### SCENARIO 1

All IMF "Advanced Economies*" excluding the U.S. commit to reallocating a portion of their new SDR allocation

**REALLOCATION REQUIRED TO GET TO $100 BILLION**

# 35%

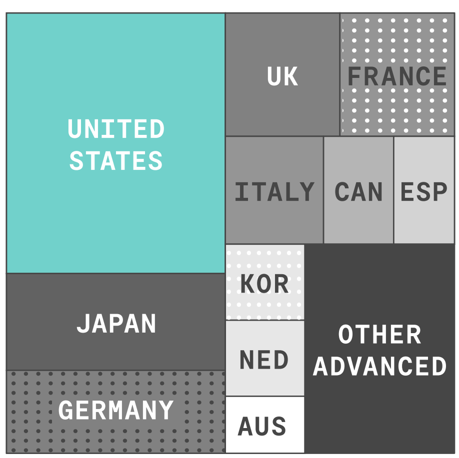



### SCENARIO 2

All IMF "Advanced Economies*" including the U.S. commit to reallocating a portion of their new SDR allocation

**REALLOCATION REQUIRED TO GET TO $100 BILLION**

# 25%

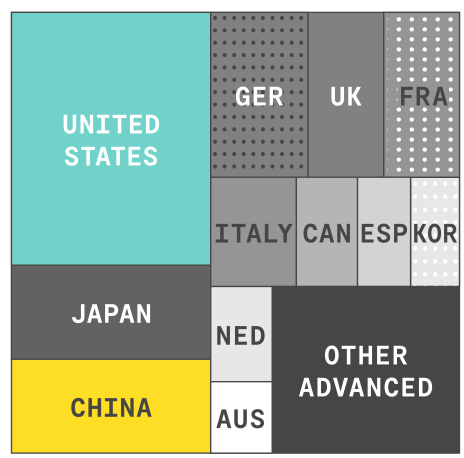



### SCENARIO 3

All IMF "Advanced Economies*" including the U.S. and China commit to reallocating a portion of their new SDR allocation

**REALLOCATION REQUIRED TO GET TO $100 BILLION**

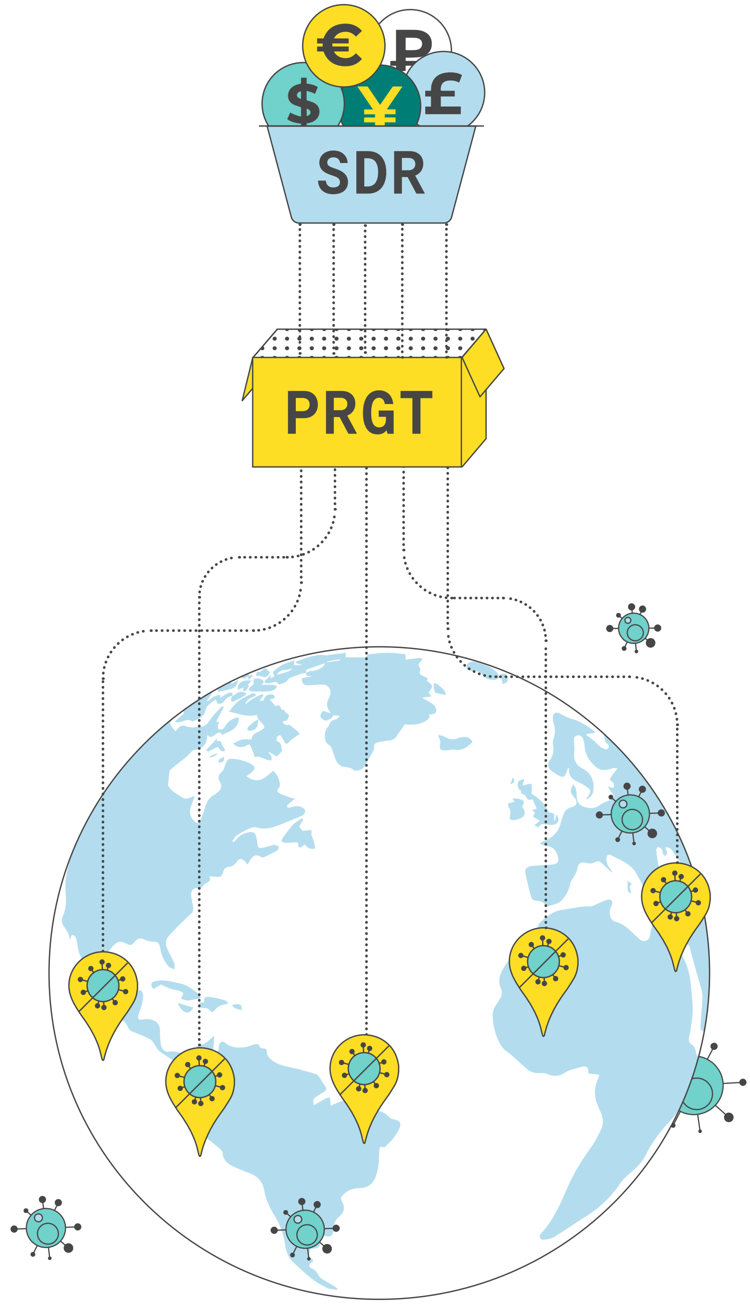
# 23%




*The IMF considers 35 economies to be "Advanced": Australia (AUS), Austria (AUT), Belgium (BEL), Canada (CAN), Cyprus (CYP), Czech Republic (CZE), Denmark (DNK), Estonia (EST), Finland (FIN), France (FRA), Germany (GER), Greece (GRC), Iceland (ISL), Ireland (IRE), Israel (ISR), Italy (ITA), Japan (JAP), Korea, Rep. (KOR), Latvia (LVA), Lithuania (LTU), Luxembourg (LUX), Malta (MLT), Netherlands (NED), New Zealand (NZ), Norway (NOR), Portugal (PRT), San Marino (SMR), Singapore (SGP), Slovak Republic (SVK), Slovenia (SVN), Spain (ESP), Sweden (SWE), Switzerland (SWZ), United Kingdom (UK), United States (US)

But how could recycled SDRs ultimately be directed to pandemic response? We provisionally consider the strengths and overall viability of four proposals on the following page, which merit further evaluation in the months ahead by the IMF and other stakeholders. The most suitable option will depend on the appetite for institutional innovation amongst IMF shareholders, those who hold excess SDRs, and their willingness to consider options external to the IMF.

While these options prioritize the use of reallocated SDRs for pandemic response and specifically vaccine procurement, there are immediate opportunities to utilize the IMF's Poverty Reduction Growth Trust (PRGT)* to increase its baseline support to low-income countries and the General Resources Account to do the same for middle-income countries. The IMF and its shareholders should aim to make use of these facilities as swiftly as possible. In all scenarios, appropriate governance structures must be put in place to complement existing expertise at the IMF and ensure resources are ultimately deployed in line with countries pandemic response needs.



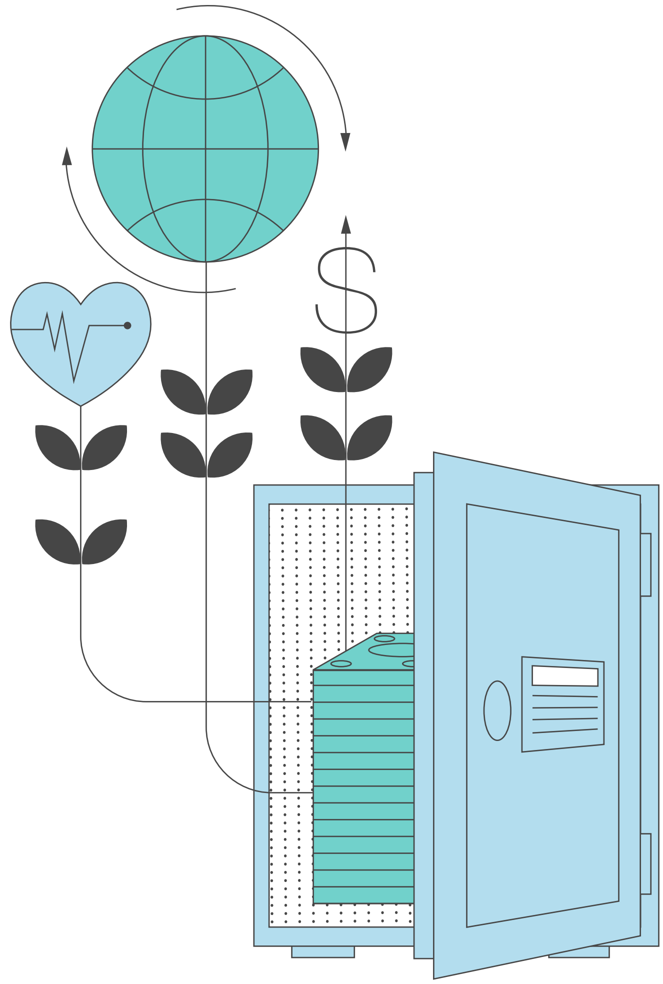

*The PRGT is the IMF’s concessional lending window to support low-income countries.

## Leveraging an SDR Reallocation for Vaccine Procurement

| | INSTITUTIONALLY-ALIGNED | INSTITUTIONAL INNOVATION |
|---|---|---|
| LEVERAGING THE PRGT | **Existing Window[18]**<br><br>Donors pledge a proportion of new SDR allocation to the PRGT to fund loans from the Rapid Credit Facility (RCF)[19]. Loan proceeds are then used by recipient countries to fund vaccine procurement through GAVI or a similar vehicle. Use of proceeds for pandemic response/vaccine procurement potentially built into the risk evaluation of each loan.<br><br>✓ Epidemic response was previously included in RCF loan evaluation criteria (Ebola)<br>✓ RCF loans are deployed in a single disbursement<br>🔍 RCF loans cannot be conditioned for a specific purpose<br>🔍 Absence of ex post review or enforcement<br>🔍 Need for additional grant funding to cover subsidy accounts, current subsidy amounts could support lending in excess of an estimated $5 billion<br>🔍 Lending caps under PRGT apply for all countries<br>🔍 Only 63 PRGT-eligible countries qualify (low income)<br>🔍 Shareholder support/alignment required to ensure swift implementation | **New Window**<br><br>Donors pledge proportion of new SDR allocation to a newly established loan window under the PRGT specific to pandemic response.<br><br>✓ New window could be designed around specific COVID response needs of LICs and need for global vaccine response<br>✓ Repayment terms could be crafted to reduce short-term burden<br>🔍 Design and approval timeline is uncertain<br>🔍 Need for additional grant funding to cover subsidy accounts<br>🔍 Only 63 PRGT-eligible counties qualify (low income)<br>🔍 Unclear what level of proscription would be possible<br>🔍 Shareholder support/alignment required to ensure swift implementation |
| LOOKING OUTSIDE OF THE IMF | **SDR-Approved Institution**<br><br>Donors pledge a proportion of new SDR allocation to an IMF approved institution such as the World Bank. The approved institution would then use the SDRs to obtain fiat currency and enter into a loan facility with LIC/MIC member. Loan proceeds could flow to GAVI or to LIC/MIC under the condition that proceeds would fund pandemic response/vaccinations.<br><br>✓ 16 approved institutions can hold SDRs (e.g. World Bank IDA, African Development Bank)<br>✓ Could support LICs and MICs<br>✓ Repayment terms can be set by approved institution<br>✓ Interest for these loans could be reduced close to zero with small subsidy or after blending with resources of the approved institution<br>✓ Limited/no interest cost to the SDR lender as it would continue to hold the right to the SDR<br>🔍 Uncertain timeline for design and approval of new program within the approved institution<br>🔍 Need for additional grant funding to cover subsidy to lower interest rate | **New Dedicated Vehicle Engaging the Private Sector**<br><br>SDRs could be used as a source of liquidity/repayment for a dedicated financing vehicle focused on pandemic response and vaccine procurement. For example, the private sector could work with MDBs on a bond issuance buttressed by donor funding. Grants committed by donors act as equity from which debt is raised from major financial institutions ESG allocations. Funds raised via the issuance could flow to LIC/MIC countries, with GAVI/other institutions as the core implementation partner, on terms similar to those provided by the World Bank. SDRs, those made available via the initial allocation and those reallocated, and the balance sheet capacity they provide could then be used as a source of loan repayment.<br><br>✓ Effective at ensuring funding goes directly to vaccinations<br>✓ Potential to build the right capabilities & leverage the most efficient deployment options<br>✓ Leveraging the private sector (~4x leverage possible on donor funding provided)<br>✓ Terms for these loans could be on par with MDB lending<br>🔍 Uncertain approval timeline given role of private sector<br>🔍 Need for additional grant funding to cover equity backstop in the proposed bond issuance |

# 2

## Goal 2
# Encouraging multilateral development banks to do more



Achieving a successful SDR issuance and leveraging reallocated SDRs for a comprehensive pandemic response would reassert the value of global solidarity and generate political momentum for an equitable and climate-focused recovery. From there, we must seek to mobilize global investment in a more attractive, lasting, and equitable form of development geared to confront the existential threat of climate change.

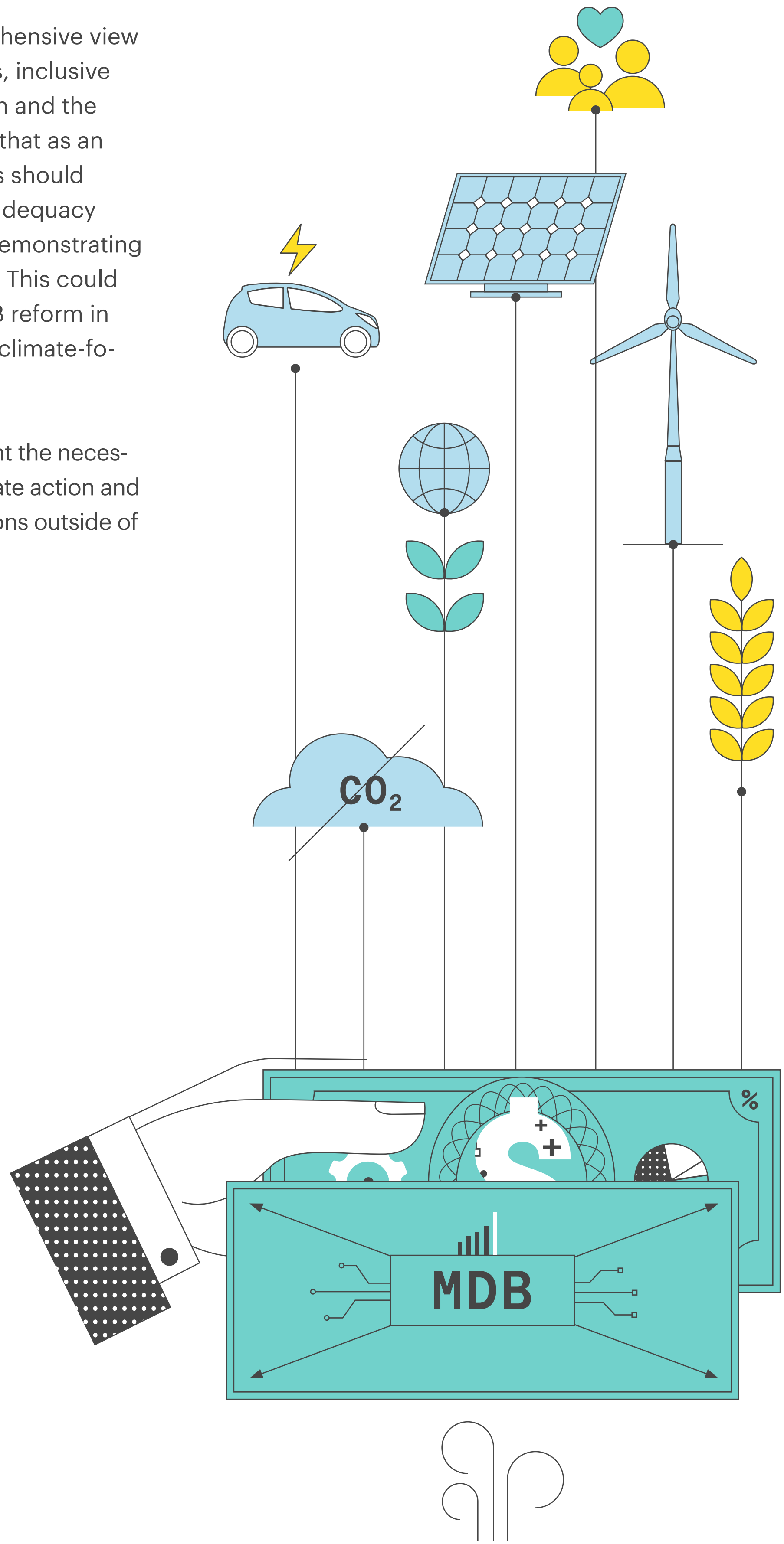
This will require a globally coordinated program anchored by more efficient MDB investment and private capital mobilization. The World Bank has said it will offer $160 billion over 15 months to address the economic downturn,[20] but this is a fraction of what World Bank itself says is needed.

In the immediate term, MDBs including the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB), the European Bank for Reconstruction and Development (EBRD), and the Asian Development Bank (ADB) could use the available headroom they have reserved for times of crisis – this is, after all, a crisis without equal in decades. It is possible to raise a far higher quantum of capital without burdening the exchequers of donor countries, primarily through the reevaluation of the capital adequacy ratios, including those utilized by the World Bank. Estimates based on the methodology from one rating agency indicate that doing so could unleash more than $300 billion in IBRD lending to middle-income countries where the virus is hitting hardest and the benefits of climate-smart investment will pack the most punch. This is not to mention the additional billions in IDA funding that could be mobilized with a less conservative outlook on leverage ratios, all without imperiling the AAA rating of these institutions.

Already there are discussions between the World Bank and shareholders around bringing forward an IDA replenishment this year. The World Bank is also finalizing a Climate Change Action Plan for 2021 to 2025, which aims to integrate climate mitigation more intrinsically into development strategies. The likely IDA replenishment, and putative early replenishment of IBRD, needs to be complemented with a revision of World Bank's capital adequacy rules. Doing so will enable donor funds to go further, driving more impact. From the perspective of some donors, recapitalization conversations are also intrinsically linked to the need for clearer strategic alignment around Paris Agreement targets.[21]

The G7 is already contemplating a comprehensive view of a package of interventions for the MDBs, inclusive of fresh capital, balance sheet optimization and the mobilization of private capital. We believe that as an immediate step, the G20 Finance Ministers should commission an external review of capital adequacy rules at the World Bank and other MDBs, demonstrating the leverage that is being left on the table. This could set the stage for a G20 agreement on MDB reform in November, freeing up resources to spur a climate-focused global recovery by the year's end.

If the existing MDB system cannot implement the necessary reforms to meet the challenges of climate action and pandemic response, calls for financing options outside of these institutions will inevitably grow.



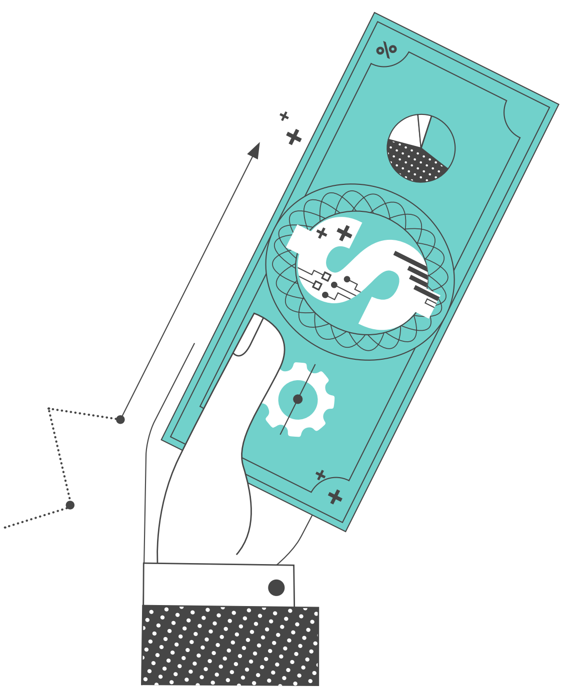
# 3

## Goal 3

# The role of innovative finance and the private sector

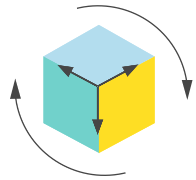
The public sector cannot do it alone and needs to double down on its efforts to engage private capital, specifically in the context of a global recovery. The role of the private sector is often referred to as a potential panacea when it comes to solving the world's development challenges. A reference to the "SDGs" and the "SDG financing gap" is now a requirement of sorts in the pitch books of impact and non-impact funds alike. This represents tremendous progress, but the sector longs for more action to back up the talk.

With investors searching for yield in the current low interest rate environment and interest in ESG and impact from investors of all stripes at an all-time high, the conditions are especially ripe to leverage our public development finance engines to crowd in the private sector.



**In our view, we need interventions that:**

**Address the immediate needs of pandemic response and a recovery that is equitable and climate focused**



**Are scalable and sustainable**

**Are in the market or can be brought to market in 2021**

This simple set of criteria can act as a guide as we seek to cut through the proliferating landscape of blended finance funds and structures, providing a clear signal to diplomatic leaders on concrete ways to move the needle on private capital mobilization over the course of the year.

In the context of this action plan, we will prioritize the role that MDBs, development finance institutions and other public sector financing entities must play in facilitating the scaled participation of the private sector in pandemic response and recovery. For example, could the $8+ billion already committed for vaccine finance have been leveraged with private sector investment to solve the full $44 billion vaccination finance gap? Are there project preparation and de-risking structures that can pave the way for sustainable and resilience infrastructure investment that enable us to meet the goals of the Paris Agreement while increasing economic opportunity in developing nations? The answer to both is yes, and with diplomatic leadership we can move past the rhetoric and find creative new ways to solve these massive development challenges by mobilizing the funding required to do so.

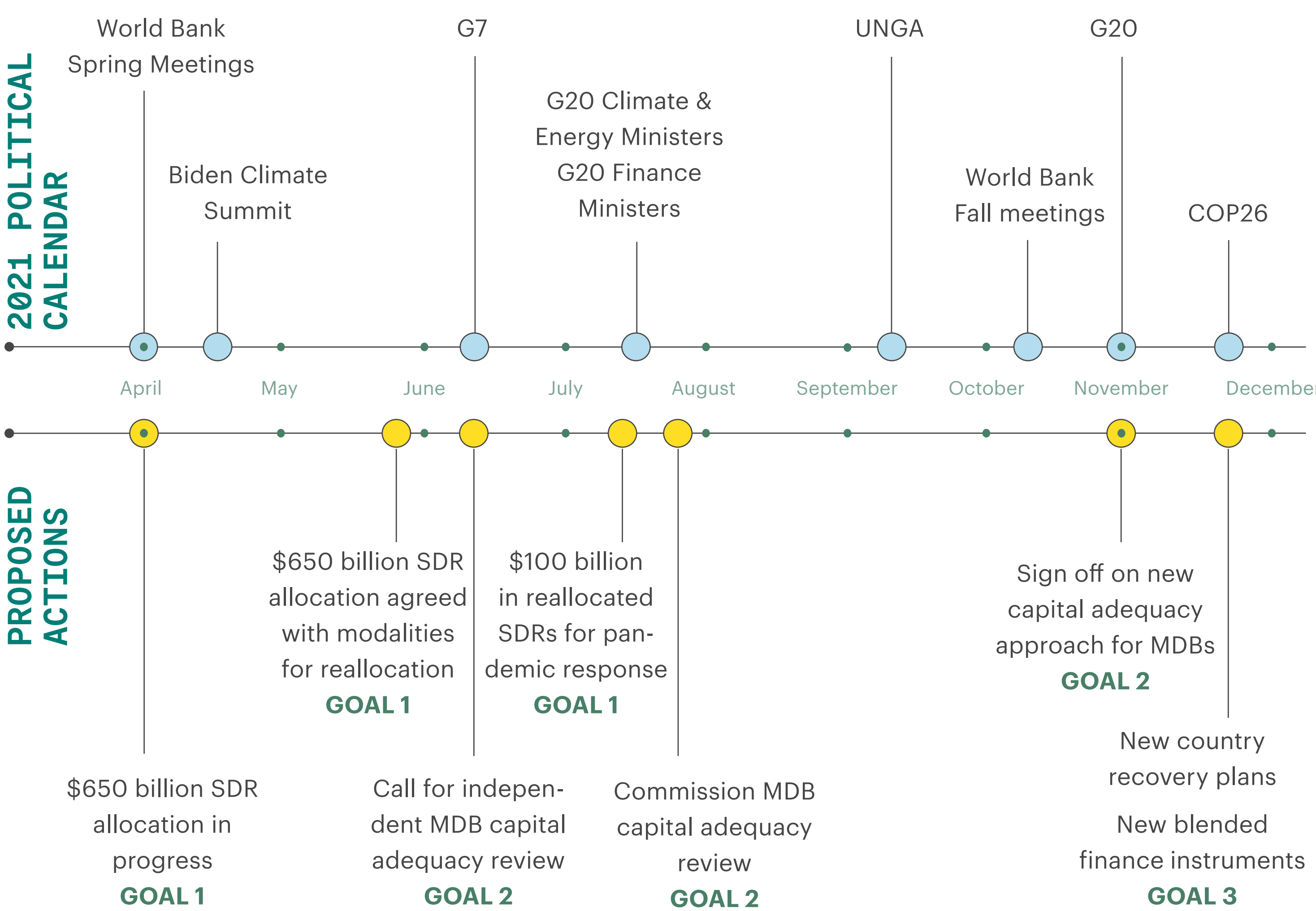
## The Path Ahead

A new SDR issuance will bring immediate relief and start to rebuild faith in multilateral cooperation. A swift SDR issuance and reallocation mechanism will generate political momentum for achieving success and pave the way for more efficient MDB and private sector engagement.

An SDR allocation is likely to be agreed to at the IMF June Board meeting, following a period of consultation where the modalities of a reallocation can be considered in tandem. By mid-summer – possibly by the Venice Climate IFI Summit July 11 – it is feasible that new capital could be unleashed for pandemic response. These timelines should be accelerated in every way possible.

An independent external review of capital adequacy rules should be called for by the G7 and commissioned by the G20 Finance Minister meeting in July. Concrete options that have been stress-tested against credit rating methodologies must then be fed into the G20 International Financial Architecture Working Group and be presented to the G20 leaders in October in Rome. Along with an ambitious World Bank Climate Change Action Plan, an accelerated IDA replenishment, the use of guarantees and other mechanisms to crowd in private finance at scale, there is every reason to believe a climate-focused recovery could be set in motion by the end of the year. New finance that could be directed to country-level decarbonization plans and green recovery blueprints, announced at COP26.

## A global recovery timeline



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**The Rockefeller Foundation is grateful** to the following people who have contributed to this plan. Some may differ with aspects of it, or have stressed other matters of primary focus. All have contributed with the greatest sense of shared purpose at this time of global need.

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10 The allocation of SDRs is 'cost free' for all members because charges and interest net out to zero if the countries do not use their SDR allocations. The use of SDRs is not 'cost free'. The use of SDRs occurs when a country reduces its SDR holdings vis-à-vis its cumulative SDR allocation: https://www.imf.org/en/About/FAQ/special-drawing-right#Q6.%20Is%20an%20SDR%20allocation%20cost-free?

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17 As permitted under current decisions of the IMF Executive Board: https://www.imf.org/en/About/FAQ/special-drawing-right#Q6.%20Is%20an%20SDR%20allocation%20cost-free?

18 The PRGT is the IMF's concessional lending window to support low-income countries. Financial support under PRGT facilities is provided on concessional terms, with interest rates currently at zero percent. Resources are secured through lending agreements at market interest rates between member countries and the Poverty Reduction and Growth Trust (PRGT) that are subsequently on-lent to eligible LICs under the various concessional windows. The subsidies needed to provide zero interest rates come from the PRGT, which is administered by the IMF and operates on a self-sustaining basis.

19 The RCF, one of four windows under the PRGT, provides rapid concessional financial assistance with limited conditionality to low-income countries (LICs) facing an urgent balance of payments need.

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